

Medicare-approved Drug Discount Cards Offer Important Benefits For 7.2 Million Low-Income Medicare Beneficiaries

Enrolling in Medicare-Approved Cards Accesses \$600 and Other Important Benefits
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Overview

This CMS analysis indicates that, for low-income Medicare beneficiaries without Medicaid coverage for prescription drugs, selecting one of a number of Medicare-approved drug discount cards provides substantial savings including \$600 in transitional assistance, deep discounts off retail prices, and coordination with manufacturer and state programs that provide further savings. This analysis emphasizes the importance of informing low-income Medicare beneficiaries about the simple steps to enroll in a Medicare-approved discount card so that they can start getting this substantial assistance right now.

This CMS analysis compares 7-month¹ savings available through discounts and the additional savings available to low-income Medicare beneficiaries² through Medicare-approved drug discount cards to national average retail pharmacy prices available to typical Americans. We compare the best prices available under Medicare-approved drug discount cards with national average retail pharmacy prices paid by typical Americans. We also assess the savings available to beneficiaries enrolling in a card whose prices are more “middle-of-the pack” for the baskets of commonly used drugs we selected. We focus on retail pharmacies in this analysis because recent studies indicate that 4 out of 5 Medicare beneficiaries get their prescriptions through such pharmacies.³ Earlier studies by CMS and others have shown significant savings when mail-order prices available through the Medicare-approved cards are compared to the best prices available through U.S. Internet pharmacies.

The new analysis shows:

- Low-income beneficiaries enrolling in a card offering the best prices can save 32 to 86 percent compared to national average retail prices over a 7-month period when the \$600 in transitional assistance is taken into account. (See Table 1)
- Low-income beneficiaries enrolling in a card program that is more “middle of the pack” (10th down the list) in terms of best prices still save a substantial amount – 28 to 72 percent for the baskets of commonly used drugs we selected. Relatively big savings are available by enrolling in any number of cards. Beneficiaries – especially

¹ We chose a 7-month analysis because low-income beneficiaries may receive discounts and \$600 in transitional assistance for 7 months (June-December) in 2004. Unused transitional assistance funds from 2004 may be used in 2005.

² Low-income beneficiaries have incomes at or below 135 percent of the federal poverty line for purposes of qualifying for transitional assistance.

³ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), 2001.

low-income beneficiaries -- are foregoing substantial savings by not enrolling in any of these cards now. (See Table 2)

- Free (plus dispensing fee) or flat-fee (\$12 or \$15) offers from a number of manufacturers through many Medicare-approved cards produce additional savings. CMS analysis indicates savings of over 85 percent – over \$1,100 for 7 months -- over national average retail prices for an illustrative beneficiary taking a common basket of drugs, when both the \$600 in transitional assistance and a manufacturer wrap-around program are taken into account.
- Given the availability of \$600 in 2004 and 2005, discounts on brand name and generic drugs, and manufacturer and state programs that coordinate with Medicare-approved drug discount cards, low-income beneficiaries are better off enrolling in one of any number of Medicare-approved cards than not enrolling at all.
- The CMS findings underscore the importance of outreach to Medicare beneficiaries who are struggling with drug costs, to ensure that the maximum number of eligible beneficiaries enroll in a Medicare-approved drug discount card program as soon as possible to begin receiving substantial savings. In conjunction with competition bringing the best prices on many cards into a narrower range, beneficiaries can generally choose any of a number of cards to obtain these new savings. This is especially important for low-income beneficiaries, who can receive up to thousands of dollars worth of assistance with their prescription drug costs until the Medicare prescription drug benefit is implemented January 1, 2006.

Background on Savings Available Through Medicare-Approved Drug Cards

Previous CMS analyses consistently indicates that savings of 11 to 18 percent compared to the national average retail pharmacy price paid by typical Americans can be obtained from Medicare-approved drug discount cards, regardless of a beneficiary's income. Savings from generics are larger – 46 to 92 percent over brand name drugs commonly used by Medicare beneficiaries and obtained through Medicare-approved cards. Regardless of their income, for beneficiaries without good drug coverage, these savings can often pay for the cost of a drug card (a fee of at most \$30 for the year) in the first month or so of use. Thus, for these beneficiaries, delay in signing up for a card means forgoing substantial savings.

Savings and other benefits for low-income beneficiaries are even more substantial. CMS estimates that 7.2 million Medicare beneficiaries – 17 percent of all beneficiaries -- are eligible to receive \$600 in transitional through Medicare-approved cards in each of 2004 and 2005,⁴ in addition to the discounts. These beneficiaries have incomes at or below 135 percent of the federal poverty line (FPL), that is, \$12,569 for a single beneficiary and \$16,862 for a couple in 2004.

⁴ Medicare Prescription Drug Discount Card Interim Rule and Notice, published in the *Federal Register* December 15, 2003.

As a general rule, these 7.2 million lower-income beneficiaries who are receiving little or no assistance with drug costs are substantially better off enrolling in a Medicare-approved card. Low-income beneficiaries are better off enrolling in a Medicare-approved discount card, even if they receive a deeper discount on certain drugs from another source (manufacturer assistance program or mail order, for example) because of the \$600 transitional assistance. Low-income Medicare beneficiaries have much to gain by enrolling in Medicare-approved Drug Discount Cards including:

- \$600 in transitional assistance in 2004, and \$600 more in 2005 available through any Medicare-approved drug discount card
- Enrollment fees (if any) paid by Medicare
- Prices for brand name drugs that are 11-18 percent or more lower than prices paid by typical Americans
- Prices for generic drugs that are 46-92 percent lower than prices for brand name drugs through the Medicare-approved cards
- Free or low, flat-fee, prices (\$12 or \$15) on many brand name drugs from many manufacturers including Abbott, Astra Zeneca, Eli Lilly and Company, Johnson & Johnson, Merck, Novartis, Pfizer and Wyeth for beneficiaries enrolling in certain Medicare-approved cards highlighted on the www.medicare.gov
- Coordination with state low-income programs to help ensure that beneficiaries eligible for the \$600 and who are known to the state are automatically enrolled to the extent possible.

Because of the importance of enrolling beneficiaries who can get the most help as quickly as possible, CMS outreach efforts have particularly targeted low-income seniors and persons with disabilities. For example, the U.S. Department of Health and Human Services (HHS) is making \$4.6 million available to fund community-based organizations to provide advice and help enroll Medicare beneficiaries in Medicare-approved discount cards. HHS is also working with a myriad of beneficiary advocacy and education groups at both the national and local levels. The Administration on Aging and the Indian Health Service are also conducting significant outreach regarding the program, with funding for outreach efforts totaling \$2.2 million.

Analysis of Assistance Available to Low-Income Beneficiaries

To assess what level of savings for low-income beneficiaries can be achieved through Medicare-approved drug discount cards, we examined 6 illustrative beneficiaries across the country with incomes at or below 135 percent FPL, each with a different basket of drugs. We compared the estimated 7-month drug discount card cost to the estimated national average retail cost (adjusted to reflect 7-month costs).

In prior analyses⁵, the best Medicare-approved discount card prices found on Price Compare are 11 to 18 percent lower than the national average retail pharmacy prices that typical Americans pay -- including both the higher prices paid by cash paying customers and the lower negotiated prices paid by people with public or private insurance coverage. This analysis also includes additional beneficiary savings from the \$600 in transitional assistance available through the Medicare-approved discount drug cards.

In this analysis, we first compare the best retail price available on Price Compare on June 7, 2004 for beneficiaries with incomes at or below 135 percent FPL to national average retail pharmacy prices (Table 1), to determine whether savings are significant. A second analysis compares the prices of the Medicare-approved drug discount card with the 10th highest discount for each market basket of drugs (Table 2).

A major source of reliable data on retail pharmacy prices currently in the market today is IMS Health's National Prescription Audit *Plus*TM. FDA has used this data source to demonstrate that real savings can be achieved through the use of generic drugs, and our analysis of savings is based on the same national average retail pharmacy prices used in the FDA analysis.⁶ To illustrate the savings on generics, FDA used data on average U.S. retail prices for brand name drugs and the median average U.S. retail prices among generic manufacturers for generic drugs for the first quarter of 2004. The data were derived from IMS Health's National Prescription Audit *Plus*TM on brick-and-mortar retail pharmacies (i.e. chain, independent and foodstore pharmacies, excluding Internet, mail order and long-term care pharmacies). We used the national average retail prices used in the FDA analysis in this analysis as well.

These data represent the actual transaction price paid at the pharmacy, not the "list price" for the drugs. This measure of average national retail price would generally be lower than the retail prices paid by Medicare beneficiaries without drug coverage because the prices include discounts from insurers and third party payers that negotiate lower prices with pharmacies on behalf of their enrollees. If we compared the Price Compare prices to prices paid only by cash paying customers, we would expect to observe larger discounts. In its calculations, the FDA presented per-day drug costs for a number of commonly used brand and generic drugs. We converted these per day prices to a 30-day prescription price for purposes of comparing to the Price Compare information. We then adjusted both the Price Compare and FDA market basket data in order to make 7-month comparisons.

The IMS Health data on national average retail pharmacy prices are nationally representative. For calculating the best price under Price Compare, zip codes from areas around the country were selected. The analysis did not include repeat searches over multiple geographic areas in order to produce different results. The geographic areas we chose may not be representative of all areas.

⁵ Analyses from May 6, 2004, May 14, 2004, May 19, 2004, and June 4, 2004 are available at www.cms.gov. The same six illustrative beneficiaries from previous analyses are used in this study.

⁶ FDA website accessed May 3, 2004 at <http://www.fda.gov/cder/consumerinfo/SavingsFromGenericDrugs.pdf>.

In order to assess the effects of manufacturer programs that offer free (plus dispensing fee) or flat-fee (e.g., \$12 or \$15 per prescription) brand name drugs, we examined the experience of beneficiary # 5 (see Tables 1 and 2), assuming the beneficiary was at 100 percent FPL and lives in Arlington, Virginia. Two of the drugs in the market basket for beneficiary #5 are drugs manufactured by Merck (Vioxx and Fosamax). Like some other drug manufacturers, Merck partners with many Medicare-approved drug discount cards to offer free (plus a dispensing fee) Merck products to low-income individuals once the \$600 transitional assistance is exhausted. We compared the Medicare-approved discount card with a “middle of the pack” card to the national average retail price adjusted to reflect a 30-day supply. We then factored in the savings effect of the \$600 transitional assistance. This beneficiary would exhaust the \$600 in month 4. Starting in month 5, Merck under arrangements with the drug card would offer these drugs at no charge (we conducted the analysis assuming a \$3 and \$6 dispensing fee, with similar savings results).

Findings

The low-income beneficiaries in our illustrations could save a significant amount of money on prescription drugs purchased over a 7-month period, depending on the geographic area and the mix of drugs. The CMS analysis indicates that beneficiaries could enroll in a Medicare-approved drug card that offers “middle of the pack” discounts (10th best discount, not the best discount available) and still save 28 to 72 percent.

- Low-income beneficiaries enrolling in a card offering the best prices can save 32 to 86 percent compared to national average retail prices over a 7-month period when the \$600 in transitional assistance is factored in. (Table 1)
 - A person taking Celebrex (osteoarthritis), Zocor (high cholesterol), Paxil (depression) and Norvasc (hypertension) might expect to pay \$2,545 over 7 months at a retail pharmacy. A beneficiary in Portland, Oregon, could enroll in a Medicare-approved drug card and save \$1,166 – about 46 percent of the total – over the 7 months when the discount and \$600 is taken into account. The savings from the discount alone was about half of the total savings.
- Low-income beneficiaries enrolling in a card program that is more “middle of the pack” (10th down the list) in terms of best prices still save a substantial amount – 28 to 72 percent for the baskets of commonly used drugs we selected. (Table 2)
 - If the beneficiary taking Celebrex, Zocor, Paxil and Norvasc (described above) enrolled in the Medicare-approved discount card that had the 10th best price (not the card with the best price), that beneficiary would still save a total of 41 percent -- \$1,040 – over national average retail pharmacy prices when the \$600 and the 17.3 percent discount is taken into account.
- Many drug manufacturers are partnering with Medicare-approved drug cards to offer significant assistance after the \$600 in transitional assistance is exhausted. For

example, beneficiary #5 in Tables 1 and 2 lives in Arlington, Virginia, and has income at 100 percent of the federal poverty line. This beneficiary is taking Coumadin, Vioxx and Fosamax – all very common drugs among the Medicare beneficiary population. And, two of the drugs are made by a manufacturer offering drugs at no cost (other than a pharmacy dispensing fee) to low-income beneficiaries enrolled in many Medicare-approved discount cards once the \$600 is exhausted. Even if this limited-income beneficiary enrolls in a Medicare-approved drug discount card that does not have the best prices, but instead enrolls in a card program that falls almost in the middle of the pack, this beneficiary still gets savings of over 85 percent from what a typical American would pay when both the \$600 and the manufacturer assistance is taken into account. For our illustrative beneficiary, that’s about \$1,100 for a 7-month period.

TABLE 1 - Low-Income Medicare Beneficiaries' (<=135% FPL) Estimated 7 Month Savings in 2004 (Lowest Price Card)

Illustrative Medicare Beneficiary/Residence	Conditions	Drugs	Dosing	7 Month Estimated Average National Retail Cost ¹	7 Month Estimated Drug Discount Card Cost ²	7 Month \$ Savings From Discount Only	7 Month % Savings From Discount Only	7 Month Total Savings Including \$600	Total % Savings (Discount & \$600)
Beneficiary #1									
National	Market Basket Total			\$2,545.20					
Pittsburgh, PA 15122	Market Basket Total				\$2,070.95	\$474.25	-18.6%	\$1,074.25	-42.2%
Portland, OR 97202	Market Basket Total				\$1,978.69	\$566.51	-22.3%	\$1,166.51	-45.8%
	Osteoarthritis	Celebrex	200 mg per day						
	Hypercholesterolemia	Zocor	40 mg per day						
	Depression	Paxil	20 mg per day						
	Hypertension	Norvasc	5 mg per day						
Beneficiary #2									
National	Market Basket Total			\$913.50					
Louisville, KY 40205	Market Basket Total				\$810.11	\$103.39	-11.3%	\$703.39	-77.0%
Orange County, CA 90623	Market Basket Total				\$723.03	\$190.47	-20.9%	\$790.47	-86.5%
	Hypertension	Prinivil	20 mg per day						
	Diabetes	Glucophage	850 mg 2x per day						
	Congestive Heart Failure	Lasix	40 mg per day						
Beneficiary #3									
National	Market Basket Total			\$2,234.40					
Boston, MA 02762-Bristol	Market Basket Total				\$1,878.94	\$355.46	-15.9%	\$955.46	-42.8%
Houston, TX 77204	Market Basket Total				\$1,878.94	\$355.46	-15.9%	\$955.46	-42.8%
	Hypertension/mild congestive heart failure	Lisinopril	20 mg per day						
	Coronary artery disease/congestive heart failure	Toprol XL	200 mg per day						
	Hypercholesterolemia	Lipitor	40 mg per day						
	Acid Reflux	Aciphex	20 mg per day						
Beneficiary #4									
National	Market Basket Total			\$3,370.50					
Boise, ID 83714	Market Basket Total				\$2,896.11	\$474.39	-14.1%	\$1,074.39	-31.9%
Greensboro, NC 27410	Market Basket Total				\$2,896.11	\$474.39	-14.1%	\$1,074.39	-31.9%
	Schizophrenia	Zyprexa	10 mg per day						
	Hypercholesterolemia	Lipitor	40 mg per day						
	Depression	Zoloft	50 mg per day						
Beneficiary #5									
National	Market Basket Total			\$1,312.50					
Greenville, MS 38731	Market Basket Total				\$1,140.79	\$171.71	-13.1%	\$771.71	-58.8%
Arlington, VA 22202	Market Basket Total				\$1,140.79	\$171.71	-13.1%	\$771.71	-58.8%
	Anticoagulant	Coumadin	2.5 mg per day						
	Osteoarthritis	Vioxx	25 mg per day						
	Osteoporosis	Fosamax	70 mg per week						
Beneficiary #6									
National	Market Basket Total			\$2,690.10					
Clearwater, FL 33767	Market Basket Total				\$2,258.76	\$431.34	-16.0%	\$1,031.34	-38.3%
Cleveland, OH 44106	Market Basket Total				\$2,258.76	\$431.34	-16.0%	\$1,031.34	-38.3%
	Diabetes	Glucophage	850 mg 2x per day						
	Diabetes	Actos	30 mg per day						
	Hypercholesterolemia	Pravachol	40 mg per day						

(1) Note: CMS computed a monthly 30 day supply based on dosing schedule using the FDA per day estimate based on analysis of IMS Health, National Prescription Audit PlusTM; 1st Quarter 2004; extracted April 2004. Prices are average retail prices (for generic drugs median average retail prices among generic manufacturers was used) in brick-and-mortar pharmacies (i.e. chain, independent and foodstore pharmacies, excluding internet, mail order and long-term care pharmacies) across all payer types (cash-only, Medicaid and other 3rd party payers) for the first quarter of 2004. This monthly supply estimate was then adjusted to reflect 7 month supply estimate.

(2) Data Source: Medicare Price Compare 6/7/04, 30 day supply adjusted to reflect 7 month supply.

TABLE 2 - Low-Income Medicare Beneficiaries' (<=135% FPL) Estimated 7 Month Savings in 2004 (10th Lowest Price Card)

Illustrative Medicare Beneficiary/Residence	Conditions	Drugs	Dosing	7 Month Estimated Average National Retail Cost ¹	7 Month Estimated Drug Discount Card Cost ²	7 Month \$ Savings From Discount Only	7 Month % Savings From Discount Only	7 Month Total Savings Including \$600	Total % Savings (Discount & \$600)
Beneficiary #1									
National	Market Basket Total			\$2,545.20					
Pittsburgh, PA 15122	Market Basket Total				\$2,104.48	\$440.72	-17.3%	\$1,040.72	-40.9%
Portland, OR 97202	Market Basket Total				\$2,104.48	\$440.72	-17.3%	\$1,040.72	-40.9%
	Osteoarthritis	Celebrex	200 mg per day						
	Hypercholesterolemia	Zocor	40 mg per day						
	Depression	Paxil	20 mg per day						
	Hypertension	Norvasc	5 mg per day						
Beneficiary #2									
National	Market Basket Total			\$913.50					
Louisville, KY 40205	Market Basket Total				\$855.89	\$57.61	-6.3%	\$657.61	-72.0%
Orange County, CA 90623	Market Basket Total				\$855.89	\$57.61	-6.3%	\$657.61	-72.0%
	Hypertension	Prinivil	20 mg per day						
	Diabetes	Glucophage	850 mg 2x per day						
	Congestive Heart Failure	Lasix	40 mg per day						
Beneficiary #3									
National	Market Basket Total			\$2,234.40					
Boston, MA 02762-Bristol	Market Basket Total				\$1,927.52	\$306.88	-13.7%	\$906.88	-40.6%
Houston, TX 77204	Market Basket Total				\$1,923.39	\$311.01	-13.9%	\$911.01	-40.8%
	Hypertension/mild congestive heart failure	Lisinopril	20 mg per day						
	Coronary artery disease/congestive heart failure	Toprol XL	200 mg per day						
	Hypercholesterolemia	Lipitor	40 mg per day						
	Acid Reflux	Aciphex	20 mg per day						
Beneficiary #4									
National	Market Basket Total			\$3,370.50					
Boise, ID 83714	Market Basket Total				\$3,038.91	\$331.59	-9.8%	\$931.59	-27.6%
Greensboro, NC 27410	Market Basket Total				\$3,038.91	\$331.59	-9.8%	\$931.59	-27.6%
	Schizophrenia	Zyprexa	10 mg per day						
	Hypercholesterolemia	Lipitor	40 mg per day						
	Depression	Zoloft	50 mg per day						
Beneficiary #5									
National	Market Basket Total			\$1,312.50					
Greenville, MS 38731	Market Basket Total				\$1,170.19	\$142.31	-10.8%	\$742.31	-56.6%
Arlington, VA 22202	Market Basket Total				\$1,167.53	\$144.97	-11.0%	\$744.97	-56.8%
	Anticoagulant	Coumadin	2.5 mg per day						
	Osteoarthritis	Vioxx	25 mg per day						
	Osteoporosis	Fosamax	70 mg per week						
Beneficiary #6									
National	Market Basket Total			\$2,690.10					
Cleawater, FL 33767	Market Basket Total				\$2,392.74	\$297.36	-11.1%	\$897.36	-33.4%
Cleveland, OH 44106	Market Basket Total				\$2,392.74	\$297.36	-11.1%	\$897.36	-33.4%
	Diabetes	Glucophage	850 mg 2x per day						
	Diabetes	Actos	30 mg per day						
	Hypercholesterolemia	Pravachol	40 mg per day						

(1) Note: CMS computed a monthly 30 day supply based on dosing schedule using the FDA per day estimate based on analysis of IMS Health, National Prescription Audit Plus™; 1st Quarter 2004; extracted April 2004. Prices are average retail prices (for generic drugs median average retail prices among generic manufacturers was used) in brick-and-mortar pharmacies (i.e. chain, independent and foodstore pharmacies, excluding internet, mail order and long-term care pharmacies) across all payer types (cash-only, Medicaid and other 3rd party payers) for the first quarter of 2004. This monthly supply estimate was then adjusted to reflect 7 month supply estimate.

(2) Data Source: Medicare Price Compare 6/7/04, 30 day supply adjusted to reflect 7 month supply.